



What's new for 2012?

- Your mailing address is now required information on Step 1.
- Step 4, Figure your income allocable to Illinois, has been modified. You must indicate whether your base income or loss is derived inside Illinois only, if it is derived both inside and outside Illinois, or entirely outside Illinois. See Specific Instructions for more information.
- For tax years ending on or after December 31, 2012, and before December 31, 2014, corporations, other than S corporations, are allowed an Illinois net loss deduction (NLD) up to a maximum of \$100,000. **Schedule NLD**, Illinois Net Loss Deduction, and **Schedule UB/NLD**, Unitary Illinois Net Loss Deduction, have been redesigned to account for the NLD limitation. See Specific Instructions for more information.
- **Schedule INL**, Illinois Net Loss Adjustment for Cooperatives, has been expanded to allow REMIC owners to adjust their Illinois income due to disallowed deductions or losses, that would otherwise be allowable, except for IRC limitations, which prohibit taxable income of the REMIC holder from being less than the excess inclusion amount derived from the REMIC. See Specific Instructions and Schedule INL for more information.
- **Schedule INS**, Tax for Foreign Insurers, **Schedule UB/INS**, Tax for a Unitary Business Group with Foreign Insurers, and **Form IL-1120** have been redesigned to present the tax reduction calculated on the schedules as a reduction in tax on Step 8, Lines 50a and 51a. **Do not apply the tax reduction figured on Schedules INS or UB/INS directly to Form IL-1120, Lines 50 or 51.** Please review the instructions carefully.
- If you wish to allow us to speak with your preparer about your return, check the box in Step 9, and see Specific Instructions for more information.
- Any tax credit scheduled to expire in 2011, 2012, and 2013, as required in the Illinois Income Tax Act, has been extended by adding five years to the named expiration date.
- **For tax years ending on or after December 31, 2012, and on or before December 31, 2016**, the **Veterans Jobs Credit** has been modified to allow a credit for either “qualified veterans” or “qualified unemployed veterans.” See Specific Instructions for more information.
- **For tax years ending on or after December 31, 2012**, a **Hospital Credit** is available. See the specific instructions for more information.
- **The New Markets Credit is allowed for qualified investments made between 2008 and 2017** in a community development entity. See Specific Instructions for more information.
- **The Jobs Tax Credit** has been modified. When computing your Jobs Tax Credit you may not include any employees hired in an enterprise zone in your calculation of eligible employees.
- For **tax years beginning on or after January 1, 2012**, a **Live Theater Production Tax Credit** and a **River Edge Historic Preservation Credit** are available. See Specific Instructions for more information.
- The **Enterprise Zone Dividend Subtraction and Enterprise Zone Interest Subtraction** have been modified. If you are eligible to take these subtractions, do not include any dividends or interest received or accrued on or after August 7, 2012. See the Specific Instructions on Schedule 1299-B for more information.

General Information

Who must file Form IL-1120?

You must file Form IL-1120 if you are a corporation that

- has net income or loss as defined under the Illinois Income Tax Act (IITA); or
- is qualified to do business in the state of Illinois and is required to file a federal income tax return (regardless of net income or loss).

Unitary filers — If you are a corporation that is a member of a unitary business group, see Illinois Schedule UB, Combined Apportionment for Unitary Business Group, and its instructions for information about filing requirements.

Political organizations and homeowners' associations — If you are a corporation that falls under the definition in Internal Revenue Code (IRC), Sections 527 and 528, and you report your federal taxable income on U.S. Form 1120-POL or U.S. Form 1120-H, you are subject to Illinois Income and Replacement Taxes and must file Form IL-1120.

Cooperatives — If you are a corporation operating on a cooperative basis under IRC Section 1381, and file U.S. Form 1120-C, you are subject to Illinois Income and Replacement Taxes and must file Form IL-1120.

Settlement funds — If you are a settlement fund under IRC Section 468B and you report your federal taxable income on U.S. Form 1120-SF, you are subject to Illinois Income and Replacement Taxes and must file Form IL-1120.

Limited liability companies — If you are a limited liability company and you file as a corporation for federal income tax purposes, you are treated as a corporation for Illinois purposes.

Foreign corporations — If you are a foreign corporation, you must observe the same filing requirements as U.S. domestic corporations. For Illinois purposes, you should report the taxable income you are reporting for federal purposes under IRC Sections 881 through 885. You must use only the domestic factor information regarding sales information in the “everywhere” denominator when apportioning business income to Illinois. If you are a foreign corporation that is a member of a unitary business group, see Illinois Schedule UB and instructions for information about filing requirements.

Domestic international sales corporations and foreign sales corporations — If you are a Domestic International Sales Corporation (DISC) under IRC Section 992, you are not subject to the taxes imposed by IRC Subtitle A (except for the tax imposed on transfers to avoid income tax under IRC Section 1491). Similarly, you are not required to file Form IL-1120.

For Illinois purposes, distributions from DISCs are treated in accordance with the federal rules pertaining to dividends, dividend exclusions, and dividend-received deductions.

If you are a Foreign Sales Corporation (FSC) for federal purposes and have federal taxable income apportionable or allocable to Illinois, you are subject to Illinois tax rules applicable to all corporations. You are taxed by Illinois to the extent that your nonexempt foreign trade income, investment income, and carrying charges (taxable for federal purposes) are apportionable or allocable to Illinois.

Note Corporate shareholders who derive income from Illinois should include actual and deemed distributions from a DISC or FSC in business income.

Real estate mortgage investment conduits — If you are a real estate mortgage investment conduit in accordance with IRC Section 860A through G, you are not required to file Form IL-1120.

Charitable organizations, etc. — If you are an organization exempt from federal income tax by reason of IRC Section 501(a), you are not required to file Form IL-1120. However, unrelated business taxable income, as determined under IRC Section 512, is subject to tax (without any deduction for Illinois Income Tax) and must be reported on Form IL-990-T, Exempt Organization Income and Replacement Tax Return. For more information, see Form IL-990-T Instructions.

Small business corporations — If you are an S corporation, as defined by IITA, Section 1501(a)(28), you are subject only to Illinois Replacement Tax and must file Form IL-1120-ST, Small Business Corporation Replacement Tax Return. The shareholders of these corporations are taxed by Illinois on their distributive shares of the corporation's income. For more information, see Form IL-1120-ST instructions.

What forms must I use?

In general, you must obtain and use forms prescribed by the Illinois Department of Revenue. Separate statements not on forms provided or approved by the department will not be accepted and you will be asked for appropriate documentation. **Failure to comply with this requirement may result in failure to file penalties, delay the processing of your return, or generating any refund.** Additionally, failure to submit appropriate documentation when requested may result in a referral to our Audit Bureau for compliance action.

Corporations must complete Form IL-1120. Do not send a computer printout with line numbers and dollar amounts attached to a blank copy of the return. Computer generated printouts are not acceptable, even if they are in the same format as the department forms. Computer generated forms from a department-approved software developer are acceptable.

How do I register my business?

If you are required to file Form IL-1120, you should register by calling our Central Registration Division at **217 785-3707**. You may be able to register electronically. Visit our web site at tax.illinois.gov for more information.

Registering with the Illinois Department of Revenue (IDOR) **prior to filing your return** ensures that your tax returns are accurately processed.

Your identification numbers as an Illinois business taxpayer are your federal employer identification number (FEIN) and your Illinois account number.

When should I file?

Your Illinois filing due date is the same as your federal filing due date. In general, Form IL-1120 is due on or before the 15th day of the 3rd month following the close of the tax year.

Note If you are a cooperative, Form IL-1120 is due on the 15th day of the 9th month following the close of the tax year.

Automatic seven-month extension — We grant you an automatic seven-month extension of time to file your corporate tax return. You are not required to file Form IL-505-B, Automatic Extension Payment, in order to obtain this automatic extension. However, if you expect tax to be due, you must use Form IL-505-B to pay any tentative tax due in order to avoid interest and penalty on tax not paid by the original due date of the return. An extension of time to file your Form IL-1120 is not an extension of time for payment of Illinois tax.

Additional extensions beyond the automatic extension period — We will grant an extension of more than seven months **only** if an extension of more than six months is granted by the Internal Revenue Service (IRS). Your additional Illinois extension will be equal to the federal extension, plus one month. You must attach a copy of the approved federal extension to your Form IL-1120.

When should I pay?

Payment of tax — You must pay your Illinois Income and Replacement Tax in full on or before the original due date of the return. This payment date applies even though an automatic extension for filing your return has been granted.

Estimated tax payments — If you reasonably expect your Illinois Income and Replacement Tax liability to be more than \$400 for the tax year, you are required to make quarterly payments of estimated tax. For more information, see the instructions for Form IL-1120-ES, Estimated Income and Replacement Tax Payments for Corporations.

Who should sign the return?

Your Form IL-1120 must be signed by the president, vice president, treasurer, or any other officer duly authorized to sign the return. In the case of a bankruptcy, a receiver, trustee, or assignee must sign any return required to be filed on behalf of the corporation. The signature verifies by written declaration (and under penalties of perjury) that the signing individual has personally examined the return and the return is true, correct, and complete. The fact that an individual's name is signed to a return is prima facie evidence that the individual is authorized to sign the return on behalf of the corporation.

Any person paid to prepare the return (other than a regular employee of the taxpayer, such as a clerk, secretary, or bookkeeper) must provide a signature, date the return, and write the preparer's taxpayer identification number. If the preparer is an employee or partner of a firm or corporation, the preparer must also provide the firm's name, address, and instead of the preparer's taxpayer identification number, the preparer must provide the firm's FEIN. Self-employed preparers must provide their own name, address, and taxpayer identification number in the appropriate spaces.

Note If your return is not signed, any overpayment of tax is considered forfeited if, after notice and demand for signature, you fail to provide a signature within three years from the date your return was filed.

What are the penalties and interest?

Penalties — You will owe

- a **late-filing penalty** if you do not file a processable return by the extended due date;
- a **late-payment penalty** if you do not pay the tax you owe by the original due date of the return;
- a **bad check penalty** if your remittance is not honored by your financial institution;
- a **cost of collection fee** if you do not pay the amount you owe within 30 days of the date printed on your bill.

Interest — Interest is calculated on tax from the day after the original due date of your return through the date you pay the tax.

We will bill you for penalties and interest. For more information about penalties and interest, see Publication 103, Penalties and Interest for Illinois Taxes. To receive a copy of this publication, see "What if I need additional assistance or forms?"

What if I am discontinuing my business?

Liquidation, withdrawal from Illinois, or loss of charter — If you are a corporation that is liquidated, withdraws either voluntarily or involuntarily from Illinois, or in any manner surrenders or loses your charter during any tax year, you are still required to file tax returns. Also, we will pursue the assessment and collection of taxes owed by you or your shareholders.

Sales or transfers — If you are a corporation that, outside the usual course of business, sells or transfers the major part of any one or more of

- the stock of goods which you are in the business of selling,
- the furniture or fixtures of your business,
- the machinery and equipment of your business, or
- the real property of your business,

you or the purchaser must complete and send us Form CBS-1, Notice of Sale, Purchase, or Transfer of Business Assets, no later than 10 days after the date the sale took place. Mail this form, along with copies of the sales contract and financing agreement, to

**ILLINOIS DEPARTMENT OF REVENUE
BULK SALES UNIT
100 WEST RANDOLPH, LEVEL 7-400
CHICAGO IL 60601**

Request for prompt determination — You may make a request for prompt determination of liability if you are a corporation in the process of dissolution. A completed tax return must be on file with us before you can submit a request for prompt determination. Do not submit your return and request at the same time. Mail your initial return to the address indicated on the form. You should allow 12 weeks for processing. If your request is properly made, the expiration of the statute of limitations (absent fraud) will not extend beyond 18 months from the date of your request. Mail your request and a copy of your previously submitted return to

**ILLINOIS DEPARTMENT OF REVENUE
PO BOX 19044
SPRINGFIELD IL 62794-9044**

What if I need to correct or change my return?

If you need to correct or change your return after it has been filed, you must file Form IL-1120-X, Amended Corporation Income and Replacement Tax Return. Returns filed before the extended due date of the return are treated as your original return for all purposes. For more information see Form IL-1120-X instructions.

You should file Form IL-1120-X only after you have filed a processable Illinois Income Tax return. You must file a separate Form IL-1120-X for each tax year you wish to change. Do not file another Form IL-1120 with “amended” figures to change your originally filed Form IL-1120.

State changes only — File Form IL-1120-X, promptly, if you discover an error on your Illinois return that does not relate to an error on your federal return but was caused by

- a mistake in transferring information from your federal return to your Illinois return;
- failing to report or misreporting to Illinois an item that has no effect on your federal return; or
- a mistake in another state’s tax return that affects the computation of your Illinois tax liability.

If you are claiming an overpayment, Form IL-1120-X must be filed within three years after the extended due date or the date the return was filed, or within one year after the tax giving rise to the overpayment was paid, whichever is latest.

Federal changes only — File Form IL-1120-X if you have filed an amended federal return or if you have been notified by the IRS that they have made changes to your return. This includes any change in your federal income tax liability, any tax credit, or the computation of your federal taxable income as reported for federal income tax purposes if the change affects any item entering into the computation of net income, net loss, or any credit for any year under the IITA. You must file Form IL-1120-X no later than 120 days after the federal changes have been agreed to or finally determined to avoid a late-payment penalty.

If you are filing Form IL-1120-X to claim an overpayment resulting from a federal change, it must be filed within two years after the date such notification was due (regardless of whether such notice was given).

Attach a copy of federal finalization or proof of acceptance from the IRS along with a copy of your amended federal form, if applicable, to your Form IL-1120-X. Examples of federal finalization include a copy of one or more of the following items:

- your federal refund check
- your audit report from the IRS
- your federal transcript verifying your federal taxable income

What records must I keep?

You must maintain books and records to substantiate any information reported on your Form IL-1120. Your books and records must be available for inspection by our authorized agents and employees.

Do the IDOR and the IRS exchange income tax information?

The IDOR and the IRS exchange income tax information for the purpose of verifying the accuracy of information reported on federal and Illinois tax returns. All amounts you report on Form IL-1120 are subject to verification and audit.

Should I round?

You must round the dollar amounts on Form IL-1120 and accompanying schedules to whole-dollar amounts. To do this, you should drop any amount less than 50 cents and increase any amount of 50 cents or more to the next higher dollar.

What is base income/taxable income?

Your Illinois base income or loss is your federal taxable income or loss, plus any additions on Lines 2 through 8, less any subtractions on Line 22. See specific instructions for Steps 2 and 3.

“Taxable income” as reported for federal income tax purposes is determined differently for certain corporations. If you are a

- **life insurance company** subject to the tax imposed by IRC Section 801, your taxable income is the life insurance company taxable income, plus the amount of distributions from pre-1984 policyholder surplus accounts as calculated under IRC Section 815(a).
- **nonlife mutual or nonlife stock insurance company** subject to the tax imposed by IRC Section 831, your taxable income is the insurance company taxable income.
- **regulated investment company** subject to the tax imposed by IRC Section 852, your taxable income is the investment company taxable income.
- **real estate investment trust** subject to the tax imposed by IRC Section 857, your taxable income is the real estate investment trust taxable income.
- **corporation included in the filing of a consolidated income tax return** for the tax year for federal income tax purposes, your taxable income is determined as if you had filed a separate return for federal income tax purposes for the tax year and each preceding tax year you were a member of an affiliated group. Your separate taxable income must be determined as if the election provided by IRC Section 243(b)(2) had been in effect for all years.

- **cooperative or association**, your taxable income is the taxable income determined in accordance with the provisions of IRC Sections 1381 through 1388.
- **foreign corporation**, your taxable income is the amount of federal taxable income described in IRC Sections 881 through 885.

What if I have an Illinois net loss deduction (NLD)?

Note For tax years ending on or after December 31, 2012, and before December 31, 2014, net loss deductions may not exceed \$100,000.

If you have an Illinois NLD from any loss year ending on or after December 31, 1986, it is subtracted from and limited to your base income allocable to Illinois.

To determine your "Illinois net loss" start with federal taxable income and apply all addition and subtraction modifications and all allocation and apportionment provisions.

Illinois net losses incurred in tax years ending on or after December 31, 2003, may only be carried forward for 12 years. When determining the years to which a loss can be carried forward, do not count

- any taxable years for which the deduction was disallowed by law (tax years ending after December 31, 2010 and before December 31, 2012);
- any taxable years for which the deduction would exceed \$100,000 if not for the NLD limitation (tax years ending on or after December 31, 2012 and before December 31, 2014).

If you are carrying an Illinois NLD, you must complete Illinois Schedule NLD, Illinois Net Loss Deduction, or Illinois Schedule UB/NLD, Unitary Illinois Net Loss Deduction, and claim the deduction on Step 5, Line 38. See specific instructions for Step 5, Line 38.

If you are a cooperative, filing form U.S. 1120-C, you must complete Schedule INL, Illinois Net Loss Adjustments for Cooperatives. If you make the election to split your patronage and nonpatronage income and loss amounts, you are required to complete Schedule INL every year and make the loss computations on Schedule NLD or UB/NLD.

If you had discharge of indebtedness income for a taxable year ending on or after December 31, 2008, and all or a portion of this income was excluded from your federal gross income due to bankruptcy or insolvency, then you may be required to reduce any Illinois net loss you incurred for that year or Illinois net loss carryovers to that year before you determine your Illinois NLD. See the instructions for Form IL-1120, Step 5 and Schedule NLD or UB/NLD for more information.

If you have an Illinois net loss for this tax year, you must file Form IL-1120 reporting the loss in order to carry the loss forward to another year.

If you need more information see the Illinois Income Tax Regulations, Sections 100.2050 and 100.2300 through 100.2330. These sections may be obtained by visiting our web site at tax.illinois.gov.

What attachments do I need?

When filing your return there are certain types of income items and subtraction modifications that require the attachment of Illinois or federal forms and schedules. Instructions for these attachments appear throughout the specific instructions for completing your return.

Note All Illinois forms and schedules include an "IL Attachment No." in the upper right corner of the form. Required attachments should be ordered numerically behind the tax return, as indicated by the IL Attachment No. Failure to attach forms and schedules in the proper order may result in processing delays.

Required copies of documentation from your federal return should be attached **behind the completed Illinois return**.

All taxpayers, including unitary business groups, must attach a copy of your U.S. Form 1120, Pages 1 through 5, and Schedules L, M-1, M-2, and M-3 to your Illinois return.

- **Exception no. 1** — If you are a corporation, but do not file U.S. Form 1120, you must attach a copy of the form that you file federally, including, U.S. Form 1120L, Page 1, or U.S. Form 1120-PC, Page 1 (and Schedule A, if filed), 1120-POL, 1120-H, or 1120-SF.
- **Exception no. 2** — If you are a corporation whose taxable income is included in a consolidated federal tax return, you must provide a pro forma copy of U.S. Forms 1120, 1120-L, 1120-PC, and all applicable schedules, as if you had filed a separate federal return.

Note When filing your Form IL-1120, include only forms and schedules required to support your return. Send correspondence separately to

**ILLINOIS DEPARTMENT OF REVENUE
TAXPAYER CORRESPONDENCE
PO BOX 19044
SPRINGFIELD IL 62794-9044**

What if I participated in a reportable transaction?

If you participated in a reportable transaction, including a "listed transaction," during this tax year and were required to disclose that transaction to the IRS, you are also required to disclose that information to Illinois.

You must send us two copies of the form used to disclose the transaction to the IRS.

- Attach one copy to your tax return, and
- Mail the 2nd copy to

**ILLINOIS DEPARTMENT OF REVENUE
PO BOX 19029
SPRINGFIELD IL 62794-9029**

What are Illinois Schedules K-1-T and K-1-P?

Illinois Schedule K-1-T, Beneficiary's Share of Income and Deductions, is provided for trusts and estates to supply each beneficiary with income amounts that are taxable to Illinois. If you are a beneficiary of a trust or an estate, you should receive a completed Illinois Schedule K-1-T and a copy of **Illinois Schedule K-1-T(2)**, Beneficiary's Instructions.

Illinois Schedule K-1-P, Partner's or Shareholder's Share of Income, Deductions, Credits, and Recapture, is for partnerships and S corporations to supply each partner or shareholder with income amounts that are taxable to Illinois. If you are a partner in a partnership or a shareholder in an S corporation, you should receive a completed Illinois Schedule K-1-P and a copy of **Illinois Schedule K-1-P(2)**, Partner's or Shareholder's Instructions.

Where should I file?

If a payment is enclosed with your return, mail your Form IL-1120 to

ILLINOIS DEPARTMENT OF REVENUE
PO BOX 19028
SPRINGFIELD IL 62794-9028

If a payment is **not** enclosed, mail your Form IL-1120 to

ILLINOIS DEPARTMENT OF REVENUE
PO BOX 19008
SPRINGFIELD IL 62794-9008

What if I need additional assistance or forms?

If you need additional assistance -

- Visit our web site at tax.illinois.gov.
- Write to us at
ILLINOIS DEPARTMENT OF REVENUE
PO BOX 19044
SPRINGFIELD IL 62794-9044
- Call **1 800 732-8866** or **217 782-3336** (TDD, telecommunications device for the deaf, at **1 800 544-5304**).

If you need additional forms or schedules -

- Visit our web site at tax.illinois.gov.
- Write to us at
ILLINOIS DEPARTMENT OF REVENUE
PO BOX 19010
SPRINGFIELD IL 62794-9010
Our office hours are 8:00 a.m. to 5:00 p.m., Monday through Friday.

Specific Instructions

Specific instructions for most of the lines are provided on the following pages. Lines that are not discussed in the instructions are self-explanatory.

Step 1 — Identify your corporation

A — All taxpayers: Type or print your legal business name. If you have a name change from last year, check the corresponding box.

B — Type or print your mailing address. If your address has changed since you filed your last return, or this is your first return, check the box.

Note → If you checked the box in Line B because you have never filed an Illinois return, you must also check the “first return” box in Line C.

C — If this is your first or final return, check the appropriate box.

D — If you checked final return on Line C, answer the questions on Line D.

E — If you are filing an Illinois **combined return**, check the box and attach a completed Illinois Schedule UB. For more information, see Illinois Schedule UB instructions.

— If you are a **foreign insurer**, check the box and, if you are entitled to a tax reduction, attach a completed Illinois Schedule INS.

If you are filing a combined return and one or more members are foreign insurers, check both boxes, and if your unitary group is entitled to a tax reduction, attach a completed Illinois Schedule UB/INS. For more information, see Illinois Schedule INS or Illinois Schedule UB/INS.

Note → See the instructions for Lines 50a and 51a in order to claim the tax reduction calculated on Schedule INS or Schedule UB/INS.

F — If you are required to disclose reportable transactions and you have attached federal Form 8886 or federal Schedule M-3, check the appropriate box. See “What if I participated in a reportable transaction?” for more information.

G — Special Apportionment Formulas — If you use a special apportionment formula because you are categorized as an insurance company, financial organization, transportation company check the appropriate box. If you are categorized as a federally regulated exchange and are electing to use a special apportionment formula for this year, check the appropriate box. For more information, see specific instructions for “Special Apportionment Formulas.”

H — If you are a unitary company and completed Schedule UB, mark the box and attach Schedule UB to your return.

I — If you earned or can carry forward credits on Illinois Schedule 1299-D, Income Tax Credits (for corporations and fiduciaries), you must check the box on Line I and attach Illinois Schedule 1299-D to your tax return, even if you are unable to use any of the credits in this tax year.

J — If you are claiming a bonus depreciation addition or subtraction modifications on Form IL-1120, mark the box and attach Schedule 4562, Special Depreciation, to your tax return.

K — If you are claiming other addition or subtraction modifications on Form IL-1120, mark the box and attach Schedule M, Other Additions and Subtractions (for businesses) to your tax return.

L — If you are claiming related-party expenses modifications on your Form IL-1120, mark the box and attach Schedule 80/20, Related-Party Expenses, to your tax return.

M — Write your federal employer identification number. If you are a unitary company, write the FEIN of the designated agent.

N — If you are a member of a federal consolidated group, write the FEIN of the federal parent. See General Information, “What is base income/taxable income?” and “What attachments do I need?”

O — Write your North American Industry Classification System Code (NAICS). If you are unsure of your code, you can research the information at <http://www.census.gov/eos/www/naics/> or www.irs.gov.

P — Write your Illinois corporate file (charter) number assigned to you by the Illinois Secretary of State. If you are filing a unitary return, write the corporate file (charter) number of the designated agent.

Q — If you keep your accounting records in a location different from the address indicated on Line B, write the city, the two-letter state abbreviation, and the zip code for the location the records are kept.

R — If you are making the election to treat all of your income other than compensation as business income, you must check the box on this line and write zero on Step 4, Lines 24 and 32. **This election must be made by the extended due date of this return. Once made, the election is irrevocable.**

S — Indicate your method of accounting by checking the appropriate box. You must use the same accounting method (*e.g.*, cash or accrual) and tax year that you used for federal income tax purposes.

T — Check the box if you must adjust your loss or loss carryover due to Discharge of Indebtedness. For more information, see the instructions for Line 36, Loss Reduction worksheet, and Schedules NLD or UB/NLD.

U — Check the box if you are a cooperative and completed Schedule INL either to make a first-time election for treatment of income or to figure your patronage and nonpatronage income or loss, or if you are REMIC that completed Schedule INL to make an adjustment to Illinois income. **Attach** Schedule INL to your tax return.

V — Check the box if you annualized your income on Form IL-2220 and attach Form IL-2220 to your tax return.

Note → You must complete department-issued or previously approved Form IL-1120 and corresponding schedules. Do not send a computer printout or spreadsheets with line numbers and dollar amounts attached to a blank copy of the return.

Step 2 — Figure your income or loss

In accordance with IITA, Section 203(e)(2)(E), if you are filing as part of a federal consolidated group, you must compute federal taxable income as though you had filed a separate federal return.

If you are filing as a combined taxpayer, see Illinois Schedule UB, Specific Instructions for Completing Form IL-1120.

Line 1 — Write the amount from U.S. Form 1120, Line 30, or equivalent.

Line 2 — Write the amount of net operating loss deduction from U.S. Form 1120, Line 29a, or equivalent.

Note → Do not write **negative** amounts on Lines 2 through 8. If you are claiming over-accrued taxes, include them on Schedule M, Line 23.

Line 3 — Write the following amounts excluded from the amount on Line 1 that were paid or accrued to you during the taxable year:

- Tax-exempt interest from U.S. Form 1120, Schedule M-1, Line 7 (or equivalent).

Note → If you are a **life insurance company**, the gross investment income earned from federally tax-exempt sources must be added back.

- All tax-exempt interest distributions received from regulated investment companies.

Line 4 — You must add back any amount of Illinois Income and Replacement taxes that you deducted on your U.S. Form 1120 to arrive at your federal taxable income. You are not required to add back taxes from other states that you included as a federal deduction.

Line 5 — Write the addition amount calculated on Form IL-4562, Line 4. For more information, see Form IL-4562 and instructions.

Attach Form IL-4562 to your Form IL-1120.

Line 6 — Write the interest or intangible expenses, or insurance premiums paid to an affiliated company, to the extent these expenses exceed any taxable dividends you received from the affiliated company from Illinois Schedule 80/20, Line 13. **Attach Illinois Schedule 80/20 to your Form IL-1120.**

Affiliated Company means any person who would be a member of a unitary business group with you, but cannot be included in the group because 80 percent or more of its business activities are conducted outside the United States or because of the rule against combining insurance companies, financial organizations, or transportation companies with companies engaged in other businesses.

Intangible expenses mean royalties and fees paid for intangible assets, losses incurred on sales or other disposition of intangible assets to an affiliated company, losses on factoring or discounting transactions with an affiliated company, and deductible expenses incurred in connection with the acquisition, use, management, or sale or other disposition of an intangible asset. Intangible assets include patents, patent applications, trade names, trademarks, service marks, copyrights, mask works, trade secrets, and similar types of intangible assets.

Some interest and intangible expenses may be exempt from this add-back provision. See Illinois Schedule 80/20 for more information.

Line 7 — If you are a partner in a partnership, a shareholder in an S corporation, or a beneficiary of a trust or an estate, include your distributive share of additions received from the partnership, S corporation, trust, or estate. If you receive multiple schedules because you are a recipient from multiple entities, you should write the combined total from all Illinois Schedules K-1-P and K-1-T you receive. **Attach a copy of all Illinois Schedules K-1-P and K-1-T you received to your Form IL-1120.**

Note → The partnership or S corporation is required to send you an Illinois Schedule K-1-P and the trust or estate is required to send you an Illinois Schedule K-1-T, specifically identifying your share of income.

Line 8 — Complete the 2012 Illinois Schedule M (for businesses), to figure the correct amount to include on Line 8. **Attach a copy of Illinois Schedule M to your Form IL-1120.** The following are examples of items that must be added to taxable income and are included on the Illinois Schedule M.

- If you are a regulated investment company, include the excess of the net long-term capital gain for the tax year, over the amount of capital gain dividends designated as such in accordance with IRC Section 852(b)(3)(C) and any amount designated under IRC Section 852(b)(3)(D), attributable to the tax year.
- Notes, bonds, debentures, or obligations issued by the Governments of Guam, American Samoa, Puerto Rico, the Northern Mariana Islands, or the Virgin Islands.
- Lloyd's plan of operations loss if reported on your behalf on Form IL-1023-C, Composite Income and Replacement Tax Return, and included in your federal taxable income.
- If you reported income from an asset or activity as business income in prior years, and reported any income from that asset or activity as nonbusiness income on this return, include on this line all deductions you claimed for expenses connected with that income in this year and in your two most recent tax years. See Illinois Schedule NB, Nonbusiness Income, Line 11, and Illinois Schedule NB Instructions for more information.

Step 3 — Figure your base income or loss

A double deduction is prohibited by IITA, Section 203(g). You cannot deduct the same item more than once when figuring your subtractions.

Line 10 — Write the total interest received or accrued from U.S. Treasury bonds, notes, bills, federal agency obligations, and savings bonds that is included in your federal taxable income. You may **not** subtract anything that is not identified in Illinois Publication 101, Income Exempt from Tax. This amount is net of any bond premium amortization deducted federally.

Note → You must attach Illinois Schedule 1299-B, Enterprise Zone or Foreign Trade Zone (or sub-zone) Subtractions, to your Form IL-1120 if you have an amount on Lines 11 through 15.

Line 11 — Write the Enterprise Zone or River Edge Redevelopment Zone dividend subtraction from Illinois Schedule 1299-B, Line 19.

Line 12 — Write the Enterprise Zone or River Edge Redevelopment Zone interest subtraction from Illinois Schedule 1299-B, Line 32.

Line 13 — Write the High Impact Business dividend subtraction from Illinois Schedule 1299-B, Line 22.

Line 14 — For financial organizations only — Write the High Impact Business within a Foreign Trade Zone (or sub-zone) interest subtraction from Illinois Schedule 1299-B, Line 35.

Line 15 — Write the amount of any Contribution subtraction from Illinois Schedule 1299-B, Line 25.

Line 16 — Write the amount of any contribution made to a job training project established under the "Tax Increment Allocation Redevelopment Act," as amended. For further information, see Illinois Compiled Statutes, Chapter 65, paragraph 5/11-74.4-1 *et seq.*

Line 17 — Write the amount shown on Illinois Schedule J, Step 1, Line 15, for foreign dividends received. **Attach Illinois Schedule J and U.S. Form 1120, Schedule C (or equivalent) to your Form IL-1120.**

Note You must use Illinois Schedule J to figure the “foreign dividend gross-up (IRC Section 78)” included in your taxable income if you are electing a foreign tax credit under the provisions of IRC Section 901. **Do not** include this deduction in other subtractions on the 2012 Illinois Schedule M or Form IL-1120, Line 21.

Line 18 — Write the subtraction allowance from Form IL-4562, Special Depreciation, Line 10. **Attach Form IL-4562 to your Form IL-1120.**

Line 19 — Write the amount from Illinois Schedule 80/20, Line 30. **Attach Illinois Schedule 80/20 to your Form IL-1120.**

You should use Illinois Schedule 80/20 if

- you added back interest paid to an affiliated company on Step 2, Line 6. You may subtract any interest received from that company during this tax year, up to the amount of your addition for interest expense paid to that company. Also, if you added back intangible expenses from a transaction with an affiliated company on Line 6, you may subtract any income you received during the tax year from similar transactions with the affiliated company, up to the amount of your addition for intangible expense for that company. To compute the amount of this subtraction, complete Illinois Schedule 80/20.
- you are an affiliated company, and you received interest or intangible income from someone who had to add back the interest and intangible expense, or insurance premiums on their Illinois Schedule 80/20. You may subtract your interest or intangible income from that person.

Line 20 — Write your distributive share of subtractions passed through to you by a partnership, S corporation, trust, or estate. Do not include any amounts passed through that are reflected on Illinois Schedule 1299-B. **Attach a copy of all Illinois Schedules K-1-P and K-1-T you received to your Form IL-1120.**

Note The partnership or S corporation is required to send you an Illinois Schedule K-1-P and the trust or the estate is required to send you an Illinois Schedule K-1-T, specifically identifying your share of subtractions.

Line 21 — Complete the 2012 Illinois Schedule M (for businesses) to figure the amount to include on Line 21. **Attach a copy of Illinois Schedule M (for businesses) to your Form IL-1120.**

You may **not** subtract anything that is not identified below, on Schedule M (for businesses), or in Illinois Publication 101. Subtractions allowed on Illinois Schedule M include:

- any “exempt-interest” dividends, as defined in IRC Section 852(b) (5), paid to shareholders for the tax year, by you, as a regulated investment company.
- notes, bonds, debentures, or obligations issued by the Governments of Guam, American Samoa, Puerto Rico, the Northern Mariana Islands, or the Virgin Islands, to the extent that you were required to add these amounts to your federal taxable income.
- Lloyd’s plan of operations income if reported on your behalf on Form IL-1023-C and included in your federal taxable income.
- the amounts disallowed as federal deductions or interest expenses under IRC Sections 171(a)(2), 265, 280C, 291(a)(3) and 832(b)(5) (B)(i).
- the amount equal to the deduction used to compute the federal tax credit for restoration of amounts held under claim of right under IRC Section 1341.

- any other income included on Step 2, Line 9, exempt from taxation by Illinois by reason of its Constitution or statutes or by the Constitution, treaties, or statutes of the United States. This amount is net of any bond premium amortization deducted federally. For more information, see Illinois Publication 101.

Line 23 — This is your base income or loss. Follow the instructions on the form and check a box on Line A or B. You must check one of these boxes and follow the instructions for that Line.

Check the box on Line A if

- all of your base income or loss is derived inside Illinois; and
- you do not have any income or loss to report on Lines 24, 25, 32, or 33.

If you check the box on Line A, do not complete Step 4. All of your base income or loss is allocable to Illinois. Skip Step 4, write the amount from Step 3, Line 23 on Step 5, Line 35, and complete the remainder of the return.

Check the box on Line B if any of the following apply

- your base income or loss is derived inside and outside Illinois;
- all of your base income or loss is derived outside Illinois; or
- you have income or loss to report on Lines 24, 25, 32, or 33.

If you check the box on Line B, you must complete all lines of Step 4. Submitting Form IL-1120 with an incomplete Step 4, including Lines 28, 29, and 30 may result in a delay in processing your return, further correspondence, and you may be required to submit further information to support your filing. See the Specific Instructions for Step 4 for more information.

Step 4 — Figure your income allocable to Illinois General Information

Who must complete Step 4?

You **must** check the box on Line B and complete **all lines** of Step 4 if any portion of Line 23, base income or loss, is derived outside Illinois, or you have any income or loss to report on Lines 24, 25, 32, or 33.

If you do not complete **all** of Step 4, Lines 24 through 34, we may issue a notice and demand proposing 100 percent of income being allocated to Illinois, or in the case of a loss return, a notice indicating none of your loss as being allocated to Illinois.

In order to properly allocate your base income or loss, you need to determine what portion of the total base income is business income or loss that is to be apportioned among all the states in which you do business, and what portion is nonbusiness income or loss that is to be allocated to a particular state.

Definitions

All references to “income” include losses. The following definitions may be helpful in completing Step 4 of Form IL-1120.

Business income means all income (other than compensation) that may be apportioned by formula among the states in which you are doing business without violating the Constitution of the United States. All income of a corporation is business income unless it is clearly attributable to only one state and is earned or received through activities totally unrelated to any business you are conducting in more than one state. Business income is net of all deductions attributable to that income.

Commercial domicile is the principal place where your trade or business is directed or managed.

Nonbusiness income means all income other than business income or compensation. For more information about the different types of nonbusiness income, see the instructions for Illinois Schedule NB, Nonbusiness Income.

Taxable in other states means you are subject to and actually pay “tax” in another state. “Tax” means net income tax, franchise tax measured by net income, franchise tax for the privilege of doing business, and corporate stock tax. You are considered taxable in another state if that state has jurisdiction to subject you to a net income tax, even though that state does not impose such a tax. This definition is for purposes of allocating nonbusiness income and apportioning business income inside or outside Illinois.

Line by Line Instructions

Note You must complete all lines of Step 4.

Line 24 — Write the amount of all nonbusiness income or loss included in base income, net of any related deductions, plus any recaptured business expenses from Illinois Schedule NB, Column A. Include any nonbusiness income from Illinois Schedules K-1-P or K-1-T. **Attach Illinois Schedule NB and all Illinois Schedules K-1-P or K-1-T you received to your Form IL-1120.** If you do not have an amount to report on this line, enter zero.

Note If you are making the election to treat all income other than compensation as business income, you must check the box in Step 1, Line R, and write “0” here and on Line 32. **This election must be made by the extended due date of this return. Once made, the election is irrevocable.**

Line 25 — Write the amount of all non-unitary business income or loss included in base income received from any partnership, trust, or estate, of which you are a partner or a beneficiary. See Schedules K-1-P(2) or K-1-T(2) for more information. **Attach a copy of all Illinois Schedules K-1-P and K-1-T you received to your Form IL-1120.** If you do not have an amount to report on this line, enter zero.

Note The partnership or S Corporation is required to send you an Illinois Schedule K-1-P and Schedule K-1-P(2) and the trust or the estate is required to send you an Illinois Schedule K-1-T and Schedule K-1-T(2), specifically identifying your share of income.

Special Note If you are a partner engaged in a unitary business with your partnership, you must include your distributable share of the partnership’s business income in your business income. Do not subtract this business income on Line 25.

Lines 28 through 30 —

You must complete Lines 28 through 30 if any of the following apply

- your business income or loss is derived inside and outside Illinois;
- all of your business income or loss is derived outside Illinois; or
- you have income or loss to report on Lines 24, 25, 32, or 33.

Follow specific instructions below for Lines 28 through 30.

Note If you are an insurance company, financial organization, transportation company, or federally regulated exchange (electing to use a special apportionment formula), check the appropriate box in Step 1, Line G (insurance company, financial organization, transportation company, or federally regulated exchange) and see “Special Apportionment Formulas” in these instructions.

Special Note If you are a partner engaged in a unitary business with your partnership, you must include your distributive share of the “everywhere” and “Illinois” sales factors from the partnership in your “everywhere” and “Illinois” sales factors. For more information, see the Illinois Income Tax Regulations, Section 100.3380(d).

Line 28 — Write your total sales everywhere.

Line 29 — Write your total sales inside Illinois.

Note Lines 28 and 29 cannot be less than zero. The amount on Line 29 cannot exceed the amount on Line 28.

If you checked the box on Line 23 B and do not complete Lines 28 and 29 we may issue a notice and demand proposing 100 percent of income being allocated to Illinois, or in the case of a loss return, a notice indicating none of your loss as being allocated to Illinois.

Include gross receipts from the license, sale or other disposition of patents, copyrights, trademarks, and similar items of intangible personal property in the numerator and denominator of your sales factor only if these gross receipts are more than 50 percent of the total gross receipts included in gross income for this tax year and each of the two immediately preceding tax years.

Do not include the following items of income in the numerator or denominator of your sales factor:

- dividends;
- amounts included under IRC Section 78;
- subpart F income as defined in IRC Section 952; and
- any item of income excluded or deducted from base income.

For more information on what should be included in the numerator or denominator of your sales factor, see Illinois Income Tax Regulations, Sections 100.3370 and 100.3380.

Sales of tangible personal property are in Illinois if

- the property is delivered or shipped from anywhere to a purchaser in Illinois, other than the United States government, regardless of the f.o.b. point or other conditions of the sale;
- the property is shipped from Illinois to any place and the purchaser is the United States government;
- the property is shipped from Illinois to another state and you are not taxable in the state of the purchaser; or
- your salesperson operates out of an office in Illinois, and the property sold by the salesperson is shipped from a state in which you are not taxable, to a state in which you are not taxable.

For radio and television broadcasting (including cable and satellite broadcasting), the following sales are in Illinois:

- Advertising revenue received from an advertiser whose headquarters is in Illinois.
- Fees received by a broadcaster from its viewers or listeners in Illinois.
- In the case of fees received by a broadcaster from the producer or other owner of the contents of a program, the percentage of the fees equal to the percentage of the broadcast’s viewing or listening audience located in Illinois.
- In the case of a person who owns the contents of a program and who provides the contents to a broadcaster for a fee or other charge, the fees received for that program from a broadcaster located in Illinois.

If the “sales everywhere” amount includes gross receipts from the licensing, sale, or other disposition of patents, copyrights, trademarks, and other similar items of intangible personal property, and the receipts are not covered by the broadcasting rules, then these receipts should be attributed to Illinois to the extent the item is used in Illinois during the year the gross receipts are included in gross income. An item is used in Illinois if

- a patent is employed in production, fabrication, manufacturing, or other processing in Illinois or if the patented product is produced in Illinois.
- copyrighted material is printed or other publications originated in Illinois.
- the commercial domicile of the licensee or purchaser of a trademark or other item of intangible personal property is in Illinois.

Note If you cannot determine from your books and records in which state an item is used, do not include the gross receipts from that item in the numerator or the denominator of the sales factor.

For sales of telecommunications services, the following sales are in Illinois:

- sales of telecommunications service sold on a call-by-call basis, where the call both originates and terminates in Illinois, or the call either originates or terminates in Illinois and the customer's service address is in Illinois;
- retail sales of postpaid telecommunications service if the point of origination of the signal is in Illinois;
- retail sales of prepaid telecommunications service where the purchaser receives the prepaid card or other means of conveyance at a location in Illinois;
- charges imposed at a channel termination point in Illinois;
- charges for channel mileage between two channel termination points in Illinois;
- charges for channel mileage between one or more channel termination points in Illinois and one or more channel termination points outside Illinois, times the number of channel termination points in Illinois divided by total termination channels;
- charges for services ancillary to sales of services in Illinois. If you provide ancillary services, but cannot determine where the sales of the related services are located, your sales are in Illinois if your customer is in Illinois;
- access fees charged to a reseller of telecommunication for a call that both originates and terminates in Illinois;
- 50 percent of access fees charged to a reseller of telecommunications services for an interstate call that originates or terminates in Illinois;
- end user access line charges, if the customer's service address is in Illinois.

For more information see 86 Ill. Adm. Code, Section 100.3371.

Sales, other than sales of tangible personal property or telecommunications service, and gross receipts from broadcasting, or the licensing, sale, or other disposition of patents, copyrights, trademarks, and similar items of intangible personal property, are in Illinois as follows:

- sales or leases of real property in Illinois;
- leases or rentals of tangible personal property, to the extent it is located in Illinois during the rental period;
- interest, net gains, and other items of income from intangible personal property received by a taxpayer who is a dealer from a customer who is a resident of Illinois (for individuals) or who is commercially domiciled in Illinois (for all other customers). A taxpayer without actual knowledge of the residence or commercial domicile of a customer may use the customer's billing address.

- interest, net gains, and other items of income from intangible personal property received by a taxpayer who is not a dealer in that property, if the income-producing activity is performed in Illinois or if the income-producing activity is performed inside and outside Illinois, and a greater proportion of the income-producing activity is performed inside Illinois rather than outside Illinois, based on performance costs;
- in all other cases, if the services are received in Illinois.

For more information, see 86 Ill. Adm. Code, Section 100.3370.

If you use a special apportionment formula, see "Special Apportionment Formulas" in these instructions.

Line 30 — Divide Line 29 by Line 28 and write the result, rounded to six decimal places.

Note → If you checked the box on Line 23 B and do not complete Line 30 we may issue a notice and demand proposing 100 percent of your income being allocated to Illinois, or in the case of a loss return, a notice indicating none of your loss as being allocated to Illinois.

Line 31 — Follow the instructions on the form. If you checked the box on Line 23 B and did not complete Lines 28, 29, or 30 we may

- propose 100 percent of your income as being allocable to Illinois.
- propose none of your loss as being allocable to Illinois.

Line 32 — Write the amount of nonbusiness income or loss allocable to Illinois from Illinois Schedule NB, Column B. Include any nonbusiness income and recaptured business expenses from Illinois Schedules K-1-P or K-1-T. **Attach a copy of Schedule NB and all Illinois Schedules K-1-P and K-1-T you received to your Form IL-1120.** If you do not have an amount to report on this line, enter zero.

Note → If you checked the box in Step 1, Line R, making the election to treat all of your income other than compensation as business income, then write "0" on Line 32.

Line 33 — Write the amount of income or loss reported on Step 4, Line 25 that is apportionable to Illinois as reported by the trust, estate or non-unitary partnership on Illinois Schedules K-1-P or K-1-T. See Schedules K-1-P(2) or K-1-T(2) for more information. **Attach a copy of all Illinois Schedules K-1-P and K-1-T you received to your Form IL-1120.** If you do not have an amount to report on this line, enter zero.

Step 5 — Figure your net income

Line 35 — Follow the instructions on the form. If this amount is a loss, you may be allowed to carry it forward to other years as an Illinois net loss deduction (NLD).

Loss Reduction Worksheet

- 1 Write the amount of the reduction to your federal net operating losses from federal Form 982. Combined groups see instructions below.
- 2 Write your income allocation ratio. See instructions.
- 3 Multiply the amount on Line 1 by Line 2. This is your reduction amount. Write the result here and on Form IL-1120, Line 36.

1 _____

2 _____

3 _____

Line 1 — Combined groups must add the amount of federal net operating loss reductions for each group member. All others, follow the instructions in Line 1.

Line 2 — Your income allocation ratio is calculated by dividing the amount of debt cancellation income excluded from your gross income that would have been allocated or apportioned to Illinois under the IITA if it was not excluded by the total amount of debt cancellation income excluded from your gross income. If all of your debt cancellation income

would have been business income, use the apportionment factor you calculated on the return for the tax year of the debt cancellation.

Line 3 — Follow the instructions on the form.

If one or more of your combined group members is included on a federal consolidated income tax return, the amount of the reductions to the member's federal net operating loss is the amount of the consolidated net operating loss attributable to that member that is reduced under IRC Section 108(b) and Treasury Regulations Section 1.1502-28.

Line 36 — If you were required to reduce the net operating loss reported on your federal Form 1120 because you excluded any discharge of indebtedness income from this tax year's gross income, then you may be required to reduce the net loss reported on Line 35. Use the worksheet on page 9 to figure your loss reduction. **Attach a copy of your federal Form 982, Reduction of Tax Attributes Due to Discharge of Indebtedness, to your Form IL-1120.** For more information, see department regulations Section 100.2310(c).

If you are a combined group reporting a combined net loss on Line 35, you may be required to reduce this loss if one or more of your group members excluded discharge of indebtedness income and was required to reduce a federal net operating loss incurred for this tax year.

Note → If you also have Illinois net operating loss carryovers to the tax year of the debt cancellation, you may also be required to reduce those carryovers. See Schedule NLD or UB/NLD for more information.

Line 37 — If you have a discharge of indebtedness adjustment on Line 36, add Lines 35 (a negative number) and 36 (a positive number), and write the result on this line. This amount cannot be greater than zero.

If you do not have a discharge of indebtedness adjustment, write zero on Line 36 and the amount from Line 35 on Line 37.

Line 38 — Write your Illinois net loss deduction carryforward from Illinois Schedule NLD, Line 7, or Illinois Schedule UB/NLD, Step 3, Line 26. **Attach Illinois Schedule NLD or unitary Illinois Schedule UB/NLD to your Form IL-1120.**

Note → For tax years ending on or after December 31, 2012, and before December 31, 2014, corporations, other than S corporations, are allowed an Illinois net loss deduction (NLD) up to a maximum of \$100,000. Schedule NLD and Schedule UB/NLD have been redesigned to account for this limit. Please use the schedule specific to your tax year.

If you are a cooperative and you separate your patronage and nonpatronage income or loss, complete Schedule INL and follow the instructions for computation of your Illinois net loss deduction and how to complete Schedule NLD.

Step 6 — Figure your replacement tax after credits

Line 41 — Write your recapture of investment credits from Illinois Schedule 4255, Recapture of Investment Tax Credits, Step 4, Column C, Line 18.

If you claimed any Illinois investment tax credits in a prior year on Form IL-477, Replacement Tax Investment Credits, and any of the property was disqualified within 48 months of being placed in service, you must use Illinois Schedule 4255 to compute the amount of recapture. Credit must be recaptured in the year the property became disqualified. For more information, see Schedule 4255 instructions.

Line 43 — Write the amount from Form IL-477, Step 1, Line 11. **Attach Form IL-477 to your Form IL-1120.**

You may claim a replacement tax investment credit of .5 percent (.005) of the basis of qualified property placed in service in Illinois during the tax year.

An additional credit of up to .5 percent (.005) of the basis of qualified property is available if your Illinois base employment increased by 1 percent (.01) or more over the preceding year, or if your business is new to Illinois. Excess credit may be carried forward for five years following the excess credit year. For more information, see Form IL-477 instructions.

Step 7 — Figure your income tax after credits

Line 46 — Write your recapture of investment credits from Illinois Schedule 4255, Step 4, Columns A and B, Line 18.

If you claimed an Enterprise Zone Credit or High Impact Business Investment Credit in a prior year on Illinois Schedule 1299-D, Income Tax Credits, and any of the property becomes disqualified, you must use Illinois Schedule 4255 to compute the amount of recapture. Credit must be recaptured in the year in which the property became disqualified. For more information, see Illinois Schedule 4255.

Line 48 — Write the amount from Illinois Schedule 1299-D, Step 2, Line 27. The total of all credits is limited to the total income tax shown on Line 47. **Attach Illinois Schedule 1299-D to your Form IL-1120.** For more information, see Illinois Schedule 1299-D Instructions.

The TECH-PREP Youth Vocational Programs Credit and the Dependent Care Assistance Program Tax Credit, are available to taxpayers primarily engaged in manufacturing. Any excess credit may be carried forward for **two** years following the excess credit year.

- **TECH-PREP Youth Vocational Programs Credit** — The programs must be certified as qualifying TECH-PREP programs by the State Board of Education. The credit is for an amount equal to 20 percent (.20) of your direct payroll expenditures for cooperative secondary school youth vocational programs in Illinois. The payroll expenditures must not have been claimed for the Training Expense Credit. You also may claim an additional credit of 20 percent (.20) for personal services rendered by a TECH-PREP student or instructor that would be subject to withholding if they were employed by you and no other credit is claimed by the actual employer.
- **Dependent Care Assistance Program Credit** — A credit of 5 percent (.05) of the amount of expenditures reported, under IRC Section 129(d)(7), to provide an on-site facility dependent care assistance program as defined in IRC Section 129.

The following credits are also available and may be carried forward **five** years following the excess credit year:

- **Film Production Services Tax Credit** — Businesses in the film industry may receive a transferable credit for Illinois production expenses incurred in a project that has been approved by the Illinois Department of Commerce and Economic Opportunity (DCEO). Credits earned in tax years ending prior to July 11, 2005, may not be carried over, while credits earned in later years may be carried forward five years.
- **Employee Child Care Tax Credit** — For tax years ending on or after **December 31, 2007**, this credit is a two-part credit and is available to corporations who provide a child care facility, located in Illinois, for the children of its employees. The first part allows a credit of 30 percent (.30) of the "start-up costs" spent by you to provide a child care facility for the children of your employees. The second part allows a credit of 5 percent (.05) of the annual amount paid by you to provide a child care facility for your employees' children. The 5 percent (.05) credit cannot be claimed if the Dependent Care Assistance Program Tax Credit is claimed.
- **Jobs Tax Credit** — A credit of \$500 per eligible employee hired to work in an Illinois river edge redevelopment zone or foreign trade zone (or sub-zone) during the tax year.
Note → Employees hired in an enterprise zone in tax years ending on or after August 7, 2012, are no longer "eligible employees" for the purposes of this credit.
- **Enterprise Zone Investment Credit** — A credit of .5 percent (.005) of the basis of qualified property placed in service in an Illinois enterprise zone during the tax year.
- **River Edge Redevelopment Zone Investment Credit** — For tax years beginning on or after January 1, 2007, a credit of .5 percent (.005) of the basis of qualified property placed in service in an Illinois river edge redevelopment zone during the tax year.

- **High Impact Business Investment Credit** — A credit of .5 percent (.005) of the basis of qualified property placed in service in Illinois by you during your tax year as a “High Impact Business,” certified as such by DCEO. This credit is available only after you have met the minimum investment required by the Illinois Enterprise Zone Act.
- **Tax Credit for Affordable Housing Donations** — A credit of 50 percent (.50) of the amount of the donation a taxpayer makes under Section 7.28 of the Illinois Housing Development Act for the development of affordable housing in Illinois.
- **Economic Development for a Growing Economy (EDGE) Tax Credit** — A credit is available to taxpayers who have entered into an agreement with DCEO under the Economic Development for a Growing Economy Tax Credit Act. The credit is available to businesses located within Illinois or businesses planning to locate within Illinois, who are participating in an economic development project.
- **Research and Development Credit** — A credit of 6.5 percent (.065) of the qualifying expenditures for increasing research activities conducted in Illinois, and that are allowable under IRC Section 41. If you did not take a credit for which you were entitled on or after January 1, 2011, either as a new credit or a credit carryforward, you will need to file an amended return to claim that credit.

Note → You may only use credit that was earned for tax years ending on or after December 31, 2005. Any credit or credit carryforward that was earned prior to December 31, 2004 may not be used.

- **Economic Development for a Growing Economy (EDGE) Tax Credit** — A credit is available to taxpayers who have entered into an agreement with DCEO under the Economic Development for a Growing Economy Tax Credit Act. The credit is available to businesses located within Illinois or businesses planning to locate within Illinois, who are participating in an economic development project.
- **River Edge Redevelopment Zone Remediation Credit** — A credit for tax years ending on or after December 31, 2006, for unreimbursed eligible remediation costs incurred in a Site Remediation Program under the Environmental Protection Act in a river edge redevelopment zone. See Illinois Schedule 1299-D instructions or contact the Illinois Environmental Protection Agency for more information.
- **Ex-Felons Jobs Credit** — For tax years beginning after December 31, 2006, the Ex-Felons Jobs Credit is 5 percent (.05) of qualified wages paid during the taxable year to an employee who is a qualified ex-felon. The total credits for all years for wages paid to a particular ex-felon may not exceed \$600.
- **Veterans Jobs Credit** — For tax years ending on or after December 31, 2012, and on or before December 31, 2016, the Veterans Jobs Credit is
 - the lesser of 10 percent (.10) of qualified wages paid during the taxable year to a “qualified veteran”, or \$1,200 per “qualified veteran”; or
 - the lesser of 20 percent (.20) of qualified wages paid during the taxable year to a “qualified unemployed veteran,” or \$5,000 per “qualified unemployed veteran”.

See the instructions for Schedule 1299-D for more information, including the definitions of a “qualified veteran” and a “qualified unemployed veteran”.

- **Student-Assistance Contribution Credit** — For tax years ending on or after December 31, 2009, this credit is allowed to employers who make a matching contribution to a qualified Illinois pre-paid tuition program on behalf of employees. Qualified Illinois pre-paid tuition plans include:
 - *Illinois Bright Start Savings Pool,*
 - *Illinois Bright Directions Savings Pool, or*

- *College Illinois Pre-paid Tuition Program.*

The credit amount is 25 percent (.25) of the contribution for each employee, or \$500 per employee, whichever is less.

- **Angel Investment Credit** — For tax years beginning on or after January 1, 2011, and ending on or before December 31, 2016, a credit may be claimed in an amount equal to 25 percent (.25) of an investment made directly in a qualified new business. The credit may not reduce tax below zero and may be carried forward for five years. The credit is issued by DCEO and a copy of your credit certificate from DCEO must be attached to your return.
- **New Markets Credit** — For qualified investments made between 2008 and 2017 in a community development entity, a credit is allowed on the second anniversary of the investment (tax years ending on or after December 31, 2010), and the next four anniversaries. The credit may not reduce tax below zero and may be carried forward for five years. The credit is issued by DCEO and a copy of your credit certificate from DCEO must be attached to your return.
- **River Edge Historic Preservation Credit** — For tax years beginning on or after January 1, 2012, a credit for restoring certain types of real estate in a River Edge Redevelopment Zone may be claimed if you entered into an agreement with DCEO. The credit may not reduce tax below zero and may be carried forward for five years. The credit is issued by DCEO and a copy of your credit certificate from DCEO must be attached to your return.
- **Live Theater Production Credit** — For tax years beginning on or after January 1, 2012, a credit for various costs associated with the production of live theater may be claimed if you applied with and were approved by DCEO. The credit may not reduce tax below zero and may be carried forward for five years. The credit is issued by DCEO and a copy of your credit certificate from DCEO must be attached to your return.
- **Hospital Credit** — For tax years ending on or after December 31, 2012, a credit is available to the owner of a hospital that is licensed under the Hospital Licensing Act, and is not exempt from federal income taxes under the Internal Revenue Code. The credit is an amount equal to the lesser of the amount of real property taxes paid on Illinois property used for hospital purposes during the prior tax year or the cost of free or discounted services provided during the tax year at Illinois locations in accordance with the hospital's charitable financial assistance policy, measured at cost. See the instructions for Schedule 1299-D for more information.
- **Historic Preservation Credit** — A credit for restoring certain types of real estate in the Peoria area may be claimed if you entered into an agreement with DCEO. The credit may not reduce tax below zero and may be carried forward for ten years. The credit is issued by DCEO and a copy of your credit certificate must be attached to your return.

Step 8 — Figure your net income and replacement tax and refund or balance due

Note → If you are a foreign insurer, the process for claiming the Foreign Insurer tax reduction has changed. Review the instructions below.

For non-unitary foreign insurers

- complete Form IL-1120, Steps 1 through 7, before completing Illinois Schedule INS;
- complete Schedule INS;
- report your foreign insurer replacement tax reduction on Step 8, Line 50a; and
- report your foreign insurer income tax reduction on Step 8, Line 51a.

For combined unitary filers with one or more members who are foreign insurers

- complete Form IL-1120, Steps 1 through 7, before completing Illinois Schedule UB/INS;
- complete all steps of your Schedule UB, before completing Illinois Schedule UB/INS;
- complete Schedule UB/INS;
- report your foreign insurer replacement tax reduction on Step 8, Line 50a; and
- report your foreign insurer income tax reduction on Step 8, Line 51a.

Line 50 — Follow the instructions on the form.

Note If you are a foreign insurer do not apply a tax reduction to this line. Follow the instructions above and on Schedule INS or Schedule UB/INS.

Line 50a — Write your foreign insurer replacement tax reduction from Schedule INS, Step 3, Line 16a, or Schedule UB/INS, Step 6, Line 57b. **Attach Schedule INS or Schedule UB/INS.**

Line 50b — Subtract Line 50a from Line 50 and write the result on this line. If Line 50a is blank, write the amount from Line 50 on Line 50b. This is your net replacement tax.

Line 51 — Follow the instructions on the form.

Note If you are a foreign insurer do not apply a tax reduction to this line. Follow the instructions above and on Schedule INS or Schedule UB/INS.

Line 51a — Write your foreign insurer income tax reduction from Schedule INS, Step 3, Line 18a, or Schedule UB/INS, Step 6, Line 68b. **Attach Schedule INS or Schedule UB/INS.**

Line 51b — Subtract Line 51a from Line 51 and write the result on this line. If Line 51a is blank, write the amount from Line 51 on Line 51b. This is your net income tax.

Line 52 — Add Lines 50b and 51b and write the total on this line. This is your total net income and replacement taxes.

Line 53 — Write the amount of any self-assessed underpayment of estimated tax penalty you figured on Form IL-2220, Computation of Penalties for Businesses, Step 4, Line 20.

If you annualized your income in Step 6 of Form IL-2220, be sure to mark the box in Step 1, Line V of this Form IL-1120. **Attach a completed Form IL-2220 to your Form IL-1120.**

Note If you do not need to annualize your income and do not wish to complete Form IL-2220, we will compute any penalty or interest due and notify you.

Line 55a — Write the amount of any overpayment from your previous year's tax return that you requested to be applied to this year's tax return.

Line 55b — Write the total amount of estimated payments you made during this tax year.

Line 55c — Write the amount of Illinois Income and Replacement Tax paid with Form IL-505-B.

Line 55d — Write the amount of Illinois pass-through entity payments made on your behalf by partnerships, S corporations, or trusts, as reported to you on Schedule K-1-P or K-1-T. If you have more than one Schedule K-1-P or K-1-T, add the amounts of all the schedules and write the total on Line 55d. **Attach copies of the Schedules K-1-P and K-1-T you received from the pass-through entities to your Form IL-1120.**

Line 55e — Write the amount of any gambling withholding shown on Form W-2G. **Attach Forms W-2G.**

Lines 56 through 58 — Follow the instructions on the form. Your refund will not be issued if you do not file a processable return.

Note Your refund or credit carryforward may be reduced by us to satisfy any unpaid tax, penalty, and interest due for this year or any preceding year. If we reduce your credit carryforward, it may result in a penalty in the succeeding year for underpaid estimated tax.

Line 60 — Follow the instructions on the form. This is your amount of tax due that must be paid in full if \$1 or more. If you are not paying electronically, complete a payment voucher, Form IL-1120-V, make your check or money order payable to “**Illinois Department of Revenue**”, **and attach them to the front of the return.**

Note If you are paying electronically **do not** complete and attach a payment voucher.

We will compute any penalty and interest due and notify you. See General Information, “What are the penalties and interest?”

You should also **write the amount you are paying in the box located on the top of Page 1** of the Form IL-1120.

Step 9 — Signature, date, and preparer's information

You must sign and date your return. If you do not sign your return, it will not be considered filed and you may be subject to a **nonfiler penalty.**

If you want to allow the preparer listed in this step to discuss this return with us, check the box. This authorization will allow your preparer to answer any questions that arise during the processing of your return, call us with questions about your return, and receive or respond to notices we send. The authorization will automatically end no later than the due date for filing your 2013 tax return (excluding extensions.) You may revoke the authorization at any time by calling or writing us.

Special Apportionment Formulas

Certain businesses that derive their income from inside and outside Illinois require a special apportionment formula. The following definitions will help in completing Step 4.

Definitions

Direct writing company — an insurance company whose direct insurance premiums are 50 percent or more of its total insurance premiums.

Reinsurer — an insurance company whose reinsurance premiums assumed are more than 50 percent of its total insurance premiums.

Total insurance premiums — the sum of both direct insurance premiums and reinsurance premiums assumed without any reduction for reinsurance ceded.

Annual statement — the annual statement required to be filed with the director of insurance of the state of Illinois.

Life insurance company — an insurance company taxable under IRC Section 801, for the tax year.

Nonlife mutual and nonlife stock insurance companies — an insurance company taxable under IRC Section 831, for the tax year.

Business income — See Step 4 - General Instructions, "Business income" under Definitions.

Financial organization — any bank, bank holding company, trust company, savings bank, industrial bank, land bank, safe deposit company, private banker, savings and loan association, building and loan association, credit union, currency exchange, cooperative bank, small loan company, sales finance company, investment company, or any person which is owned by a bank or bank holding company.

Revenue miles — A revenue mile is the transportation of one passenger, or one net ton of freight, the distance of one mile.

Federally regulated exchange — A federally regulated exchange is:

- a registered entity as defined in 7 U.S.C. Section 1a(40) (A), (B), or (C);
- an exchange or clearing agency as defined in 15 U.S.C. Section 78c (a)(1) or (23);
- any entity regulated under any successor regulatory structure to a registered entity, exchange, or clearing agency; or
- any member of the same unitary business group (determined without regard to the prohibition against including taxpayers using different apportionment formulas in the same group) as a federally regulated exchange. This provision applies only if 50 percent or more of the business receipts of the unitary business group for the taxable year are attributable to the matching, execution, or clearing of transactions conducted by members of the group described in the first three bullet points, above.

What if I am an insurance company?

If you checked the box in Step 1, Line G, indicating that you are an insurance company taxable under IRC Section 801 or 831, and your income is derived from inside and outside Illinois, you must apportion your business income as follows:

Direct writing companies — Life insurance companies, nonlife mutual, and nonlife stock insurance companies — On Lines 28 and 29, line out the word "sales" and write "Insurance premiums." On Line 28, write the amount of total direct premiums (gross direct premiums less return premiums) from the annual statement (relating to life insurance premiums, annuity considerations, and accident and health insurance premiums, including policy, membership, and other fees).

On Line 29, write the amount of direct premiums on property or risk located in Illinois from the annual statement.

Divide Line 29 by Line 28 and write the result, rounded to six decimal places, on Line 30. Complete Lines 31 through 34 as indicated in Specific Instructions for Step 4, Figure your income allocable to Illinois.

Reinsurance – Life insurance companies, nonlife mutual, and nonlife stock insurance companies – If more than 50 percent of your premiums are from reinsurance, include your reinsurance premiums from all sources on Line 28 and your reinsurance premiums from Illinois sources on Line 29, along with any direct premiums on those lines.

You may determine your reinsurance premiums from Illinois sources using one of the following methods. You must use the same method for all future years unless you receive written permission from the department to change methods.

Method A – Determine the reinsurance premiums assumed, relating to property or risk located in Illinois.

Method B – For each company from which reinsurance is accepted, determine the ceding insurance company's ratio of direct premiums on property or risk located in Illinois, to its total direct premiums. Apply this ratio to the reinsurance premiums assumed from that company. For example, reinsurer R assumes premiums of \$40,000 and \$50,000 from ceding companies A and B respectively. Company A's ratio of direct premiums on property or risk located in Illinois, to its total direct premiums, is ten percent and Company B's ratio is 20 percent. Reinsurer R has \$14,000 of reinsurance premiums assumed on property or risk located in Illinois, consisting of \$4,000 from ceding Company A (10 percent of \$40,000) and \$10,000 from ceding Company B (20 percent of \$50,000).

Method C – Determine the amount of reinsurance premiums assumed from insurance companies commercially domiciled in Illinois. Include in reinsurance premiums assumed in Illinois, all premiums for reinsurance accepted from insurance companies commercially domiciled in Illinois.

What if I am a financial organization?

If you checked the box in Step 1, Line G, indicating that you are a financial organization and your income is derived from inside and outside Illinois, line out the word "sales" on Lines 28 and 29 and write "Financial organization."

On Line 28, write the amount of gross receipts from all sources.

On Line 29, write the amount of gross receipts from:

- sales or leases of real property located in Illinois;
- leases or rentals of tangible personal property, to the extent it is located in Illinois during the rental period;
- interest income, commissions, fees, gains on disposition, and other receipts from:
 - loans secured by real or tangible personal property located in Illinois;
 - unsecured consumer loans to a resident of Illinois;

- unsecured commercial or installment loans where the proceeds of the loan are applied in Illinois. If the place of application cannot be determined, the gross receipts are in Illinois if the office of the borrower from which the loan was negotiated is in Illinois. **If neither the place of application nor the office of the borrower can be determined, do not include the gross receipts in Line 28 or 29;** and
- credit card receivables billed to a customer in Illinois.
- sales of travelers checks and money orders at a location in Illinois;
- interest, dividends, net gains, and other income from investment and trading assets and activities, where the majority of your contacts with the asset or activity is in Illinois. The state to which an asset or activity is assigned in your books and records for federal or state regulatory requirements is presumed to be proper unless a majority of the evidence shows otherwise or you do not have a fixed place of business in that state. If the place with the majority of contacts cannot be determined under these rules, the gross receipts are in Illinois if your commercial domicile is in Illinois.
- any other transaction, if the gross receipts would be included on Line 29 under the general instructions for Line 29.

For more information see 86 Ill. Adm. Code Section 100.3405.

Divide Line 29 by Line 28 and write the result, rounded to six decimal places, on Line 30. Complete Lines 31 through 34 as indicated in Specific Instructions for Step 4, Figure your income allocable to Illinois.

What if I am a transportation company?

If you checked the box in Step 1, Line G, indicating that you are a company that furnishes transportation service both inside and outside Illinois, line out the word “sales” on Lines 28 and 29 and write “Transportation.” You must apportion business income as follows:

- A Transportation by airline** — On Line 28, write the amount of revenue miles everywhere. On Line 29, write the amount of revenue miles in Illinois. Divide Line 29 by Line 28 and write the result, rounded to six decimal places, on Line 30.
- B Other modes of transportation** — On Line 28, write the amount of your gross receipts from providing transportation services. On Line 29, write the amount of gross receipts from Illinois, as follows:
- all gross receipts from transportation that both originates and terminates in Illinois; and
 - gross receipts from interstate transportation, multiplied by a fraction equal to the miles traveled in Illinois on all interstate trips divided by miles traveled everywhere on all interstate trips.

Divide Line 29 by Line 28 and write the result, rounded to six decimal places, on Line 30.

- C Transportation of both freight and passengers or transportation by airline and other modes** — Compute separate fractions for freight transportation and passenger transportation by airline and for freight transportation and passenger transportation by all other modes of transportation under A and B, and write on Line 30 the average of those fractions, weighted by the gross receipts from freight or passenger transportation by airline or other modes, rounded to six decimal places.

For more information see 86 Ill. Adm. Code Section 100.3450.

Complete Lines 31 through 34 as indicated in Specific Instructions for Step 4, Figure your income allocable to Illinois.

What if I am a federally regulated exchange?

If you checked the box in Step 1, Line G, indicating that you are a federally regulated exchange that is electing to use a special apportionment formula this year, and your income is derived from inside and outside Illinois, line out the word “sales” on Lines 28 and 29 and write “Exchange.” You may apportion your business income as follows:

On Line 28, write the amount of business income from all sources.

On Line 29, write the amount of business income from:

- receipts attributable to transactions executed on a physical trading floor located in Illinois;
- receipts attributable to all other matching, execution, or clearing transactions. This includes, without limitation, receipts from the provision of matching, execution, or clearing services to another entity. Multiply this amount by:
 - 63.77 percent (.6377) for tax years ending on or after December 31, 2012, but before December 31, 2013;
 - 27.54 percent (.2754) for tax years ending on or after December 31, 2013; and
- all other receipts for sales in Illinois.

Divide Line 29 by Line 28 and write the result, rounded to six decimal places, on Line 30. Complete Lines 31 through 34 as indicated in Specific Instructions for Step 4, Figure your income allocable to Illinois.

What if I have two or more discrete businesses?

If you are a corporation engaged in the conduct of two or more discrete businesses, you are entitled to compute your Illinois tax liability by determining the income attributable to each of those businesses, and apportioning that income by application of a separate apportionment formula determined for each. You must attach the separate computations to Form IL-1120. However, you must report the aggregate as if the business were one taxable entity. For more information, see Illinois Income Tax Regulations, Section 100.3010(b).

What if I am a member of a unitary business group?

The term “unitary business group” means a group of persons related through common ownership, whose business activities are integrated with, dependent on, and contribute to each other. In the case of a corporation, common ownership is defined as the direct or indirect ownership or control of more than 50 percent of the outstanding voting stock of a corporation.

If you determine that you are a member of a unitary business group, see Illinois Schedule UB Instructions for more information regarding your Illinois filing requirements and the computation of your Illinois tax liability.

What if I want to use an alternative apportionment formula?

If the apportionment methods prescribed by IITA, Sections 304(a) through (e), and (h) do not fairly and accurately reflect your business activity in Illinois, or lead to a grossly distorted result, you may want to use a more accurate alternative method. If you want to use an alternative apportionment method, you **must** receive permission from the IDOR **prior** to filing your return. Send your request to

**ILLINOIS DEPARTMENT OF REVENUE
LEGAL SERVICES OFFICE
SENIOR COUNSEL - INCOME TAX, 5-500
101 WEST JEFFERSON STREET
SPRINGFIELD IL 62702**

Note → Your request for an alternative apportionment formula must follow the requirements of the Illinois Income Tax Regulations, Section 100.3390. See the regulations or contact the department for more information.

If you receive permission to use an alternative formula, you must attach to your Form IL-1120 a copy of the letter granting permission.